

Part II, Chapter 3

Building a New Formula

Estimating expenditures on children in intact households is only one step in developing a Child Support Guideline Formula. The purpose of this chapter is to describe the additional procedures and assumptions used to build the new Guideline formula. This includes the development of a Schedule of Basic Child Support Obligations and modifications to the low-income adjustment, the custodial parent disregard, and the treatment of child care expenses, the child's health insurance premium, and the child's extraordinary medical expenses. It also includes the development of a Guideline cap so that the guidelines-determined amount does not exceed the income withholding limits of the Consumer Credit Protection Act (15 U.S.C. §1671 et seq.). A more technical discussion of the material in this chapter is presented in Appendix I.

To put context to the proposed, new formula, we first review the basis of the existing Guideline formula. We also provide relevant findings from the case file review when it is appropriate background information. An in-depth analysis of the case file review is provided in Chapter 4.

EXISTING GUIDELINE FORMULA

The core of the current Guideline formula is the Income Levels, which assign a specified percentage of a noncustodial parent's gross annual income to child support. Other factors considered in arriving at the final support award are the low-income adjustment; the custodial parent's disregard which includes child care expenses; the premium costs of the health insurance covering the child; and, the child's extraordinary medical expenses.

Existing Income Levels

The existing Guideline consists of five noncustodial parent income levels with a different percentage applied at each level, depending on the number of children for whom support is being determined. The existing Levels and corresponding percentages are listed in the first two columns of Exhibit 5 below. The last column of Exhibit 5 shows the percentage of cases examined in the case file review that fell into that income range.

In examining the percentage of cases, it is important to note that the noncustodial parent's income was only included in 84 percent of the case files reviewed. Income is frequently missing in cases where the parents stipulate an agreement.

Exhibit 5 shows that most cases where the noncustodial parent's income is known fall into Income Levels 3 and 4 (34% are in Income Level 3, which is to be applied when the noncustodial parent has an annual gross income of \$15,001 to \$25,000, and 42% are in

Income Level 4, which is to be applied when the noncustodial parent has an annual gross income of \$25,001 to \$50,000). Only one percent of the cases reviewed with completed income information involved noncustodial parents with gross incomes above \$75,000 per year. The existing Guideline only applies presumptively to noncustodial parent gross incomes of \$75,000 per year or less.

Exhibit 5 Current District of Columbia Guideline		
	Guideline Percentage Applied to Noncustodial Parent Income	Percentage of Cases in this category from Case File Review*
Income Level 1: \$7,500 per year or less		
One child	N/A Case-by-case treatment Minimum order of \$50	3%
Two children		1%
Three children		--
Four or more children		<1%
All cases in Income Level 1		4%
Income Level 2: \$7,501 - \$15,000 per year		
One child	20.0%	11%
Two children	26.0%	3%
Three children	30.0%	1%
Four or more children	32.0%	<1%
All cases in Income Level 2		16%
Income Level 3: \$15,001 - \$25,000 per year		
One child	21.0%	25%
Two children	27.0%	6%
Three children	31.0%	2%
Four or more children	33.0%	1%
All cases in Income Level 3		34%
Income Level 4: \$25,001 - \$50,000 per year		
One child	22.0%	33%
Two children	28.0%	6%
Three children	32.0%	2%
Four or more children	34.0%	1%
All cases in Income Level 4		42%
Income Level 5: \$50,001 - \$75,000 per year		
One child	23.0%	2%
Two children	29.0%	1%
Three children	33.0%	--
Four or more children	35.0%	<1%
All cases in Income Level 5		4%

*n=511 cases in which the noncustodial parent income was known

Low-Income Adjustment in Current Guideline

The current Guideline considers a self support reserve of \$7,500 per year, which is about 84 percent of the current poverty guidelines for one person.¹⁵ This means that for many low-income noncustodial parents if they pay the Guideline-determined amount, they will be left with incomes below poverty. The current Guideline incorporates the low-income adjustment into the lower Income Levels (1-3); yet, this masks the adjustment as well as the self support reserve. Noncustodial parents are not aware that their ability to pay is being considered. This is a critical issue given the preponderance of recent literature suggesting that traditional child support enforcement tools are generally ineffective with low-income noncustodial parents due to their limited disposable income. One solution to this problem is to set order amounts reasonably by considering what low-income noncustodial parents can afford to pay without impoverishing themselves.¹⁶

Results from the case file review, indicate that 5 percent of the noncustodial parents have gross incomes below the 2003 poverty guidelines for one person and 9 percent have incomes below 133 percent of the poverty guidelines.

Existing Custodial Parent Disregard

The District Guideline is unique because it disregards the first \$16,500 of the custodial parent's gross income net of child care costs in the child support calculation. An additional \$2,000 per child is disregarded if there are two or more children. Only one other state's guideline includes a custodial parent disregard.

Findings from the case file review indicate that in about one third (31%) of the cases reviewed, the custodial parent was working and earning income below the disregard amount for the respective number of children. The median income of the custodial parents in these cases was \$13,000 per year. The median income of the noncustodial parent in these cases was higher (\$23,000 per year), but certainly well below the median wage in the District, which is \$35,360 per year.¹⁷

¹⁵According to the 2003 federal poverty guidelines published by the Department of Health and Human Services, the poverty level for one person is \$8,980 per year. *Federal Register*, Vol. 68, No. 26, February 7, 2003, pp. 6456-6458.

¹⁶For example, see Paula Roberts, *An Ounce of Prevention and a Pound of Cure, Developing State Policy on the Payment of Child Support Arrears by Low Income Parents*, Center for Law and Social Policy, Washington, D.C.; Paul Legler, *Low-Income Fathers and Child Support: Starting off on the Right Track*, Annie E. Casey Foundation, Baltimore, Maryland; Elaine Sorensen and Chava Zibman, *Poor Dads Who Don't Pay Child Support: Deadbeats or Disadvantaged?* (Washington, D.C.: Urban Institute, April 2001); and, Wendell Primus and Kristina Daugirdas, *Improving Child Well-Being: By Focusing on Low-Income Noncustodial Parents in Maryland*, Report to the Abell Foundation, Baltimore Maryland (2000).

¹⁷ U.S. Bureau of Labor Statistics, National Compensation Survey, Washington-Baltimore Metropolitan Area (2002).

Current Treatment of Child Care Costs

In the current Guideline, child care costs are deducted from the custodial parent's income prior to the calculation of support. They are part of the custodial parent disregard. In addition, high child care costs are a departure factor. There is no provision that considers situations where the noncustodial parent pays for the child care costs.

About one third (32 percent) of the cases reviewed had documentation of custodial parent child care costs. The average annual child care cost is \$3,304. The average cost of child care does not vary significantly based on the number of children.

Current Treatment of Child's Health Insurance Premium

Under the existing Guideline, if the noncustodial parent is providing health insurance coverage for the child(ren), a deduction may be allowed from the noncustodial parent's income prior to the calculation of support. If the custodial parent is paying the expenses, this is a criterion for a guideline departure.

The cost of the child's health insurance premium is deducted from the noncustodial parent's income in only six percent of the cases reviewed. The average annual cost of coverage attributable to the child(ren) is \$1,672.

Current Treatment of Child's Extraordinary Medical Expenses

Under the existing Guideline, extraordinary medical expenses are treated on a case-by-case basis. The court has discretion to adjust the child support obligation up or down depending on which party pays for the extraordinary expenses.

History of the Existing Guideline

The Guideline was originally adopted by the Board of The District of Columbia Superior Court in 1987. A slightly different version of the court Guideline became legislated in 1990, and is still in effect today. The rationale for the 1987 Guideline formula is fairly well documented; whereas, the 1990 legislated changes are not as well documented. Nonetheless, much can be surmised by comparing the 1987 and 1990 formulas.

The 1987 documentation supporting the Guideline states, "This model is based on economic analyses which show the proportion of income parents devote to their children is relatively constant across income levels up to a certain upper limit." After the upper limit, the 1987 documentation explains that child-rearing expenditures as a proportion of income decrease as income increases, albeit the absolute dollar amount increases. It is at this upper limit (i.e., gross income of \$75,000 per year), the Guideline formula stops. The source of this economic evidence is not referenced in the documentation.

The 1987 documentation also explains the use of the different Income Levels. At that time, there were four income levels. A fifth income level was added to the 1990 legislated Guideline. The original lower two Income Levels (Levels 1 and 2) take into account that the noncustodial parent may have a limited ability to pay child support because he or she has little discretionary income. The threshold of the lowest Level 1 represents income below the poverty level.¹⁸ At this income, the noncustodial parent's order is set at a nominal amount. Originally, that amount was \$10 per month. It is now \$50 per month.

The original Level 2 set the order amount at the difference between the noncustodial parent's gross income and \$5,500 per year (the poverty level at that time). Subsequently, the legislated Guideline modified Level 2 to what it is today, noncustodial parent's gross incomes of \$7,501 to \$15,000 per year.

The original income ranges of Levels 3 and 4 were considered sufficiently above the poverty level. It appears that that assumption was carried forth in the 1990 Guideline formula as well. The 1990 legislated Guideline, however, split the original Level 4, which covered noncustodial gross incomes from \$26,001 to \$75,000 per year into two levels, Levels 4 and 5, which are still in place today (i.e., Level 4 covers noncustodial gross incomes from \$25,001 to \$50,000 per year and Level 5 covers noncustodial gross incomes from \$50,001 to \$75,000 per year.)¹⁹

Essentially, the original Level 4 covered a large range of incomes, \$26,001 to \$75,000 per year. This is consistent with the belief at the time that child-rearing expenditures were a flat percentage of gross income. Levels 1 and 2 were set at lower amounts out of consideration of the noncustodial parent's ability-to-pay when he or she has poverty or near-poverty income. Level 3 was obviously used to phase between the low-income adjusted Level 2 and the child-rearing measurements used in Level 4.

DEVELOPMENT OF A NEW FORMULA

The development of the new formula is broken down into seven parts.

- ◆ Development of updated base support formula (i.e., the Schedule);
- ◆ Development of updated low-income adjustment;
- ◆ Elimination of the custodial parent disregard;
- ◆ Revision to the treatment of child care costs;
- ◆ Revision to the treatment of the child's health insurance premium costs;
- ◆ Revision to the treatment of the child's extraordinary medical expenses; and,
- ◆ Development of a Guideline cap.

¹⁸It was originally based on the 1987 Federal poverty guideline for one person, which was \$5,500 per year. Subsequently, the Guideline legislated in 1990 raised the threshold of the Level 1 to \$7,500 per year. The 1990 federal poverty guideline for one person was \$6,280, but since it is a net income amount, it may have been converted to a gross income amount. This would result in an amount close to \$7,500 per year.

¹⁹The 1990 legislated Guideline also lowered the threshold from \$26,000 to \$25,000 per year.

Base Support Formula (Schedule)

There are two stages in the development of a child support formula that build upon the estimates of child-rearing expenditures. The first stage is the development of a table of support proportions that relates child expenditures in different household sizes to net income. For purposes of developing the Schedule for the District, it is assumed that the Betson-Rothbarth percentages apply to all of the parents' combined net income. Further adjustments were made to those proportions (1) to exclude the portion of expenditures accounted for by child care and the child's share of health insurance premiums and extraordinary medical expenses; (2) to extend the proportions to households with four, or more children; and (3) to develop a method of smoothing the proportions between income ranges to eliminate the gaps in support obligations that would otherwise exist. The second stage is the development of a gross-income based schedule from the table of support proportions. Specifically, since the table of proportions is specified in terms of net income, a method of translating gross to net income must be defined.

Building a Table of Support Proportions

There are six steps in developing a table of support proportions from the Rothbarth estimates of child expenditures. These steps include:

1. Updating the net income brackets for changes in the cost of living since the time the data were collected;
2. Deducting from child expenditures the portion attributable to child care;
3. Deducting from child expenditures the child's portion of unreimbursed medical expenses (i.e., health insurance premiums and extraordinary medical expenses);
4. Computing child expenditures as a proportion of net income;
5. Extending the estimates for one, two, and three-child households to households with four or more children; and
6. Computing marginal proportions between income ranges to avoid notches in support obligations.

1. Updating the Net Income Brackets

The Rothbarth estimates are based on annual Consumer Expenditure Survey (CEX) data from 1996 through 1999 compiled by the Bureau of Labor Statistics. The CEX income data specified in constant 1997 dollars were updated to May 2003 dollars using statistics on changes in the consumer price index (CPI) since the time the data were collected.

2. Deducting Costs of Child Care

The Guideline formula proposed for use in the District is meant to be a basic support obligation to which are added the costs of work-related child care expenses. The table of support proportions specifically excludes the child's share of expenditures related to child care costs. Adjustments for these expenditures can be accommodated because the CEX database identifies expenditures for each commodity. To make the adjustment, child care expenses are computed as a proportion of consumption spending and then subtracted from the Rothbarth estimates of child expenditures as a proportion of consumption spending. Child care costs per child ranged from 0.24 percent of consumption spending in households with annual net incomes less than \$15,463 to 1.74 percent of consumption spending in households with annual net incomes between \$61,853 and \$72,162.

3. Deducting the Child's Share of Unreimbursed Medical Expenses

The adjustment for unreimbursed medical expenses is similar to the adjustment for child care costs, although not as easily computed since medical expenses are not itemized for each household member. Therefore, to compute an adjustment for medical expenses, we assumed that the child's share of those expenditures was the same as the child's share of all consumption spending. Once the share was computed and defined as a proportion of consumption, it was subtracted from the Rothbarth estimates of child expenditures as a proportion of consumption spending. The children's share of extraordinary medical expenses in two-child households ranged from 0.57 percent of consumption spending for households with annual net incomes between \$15,463 and \$20,616 to 1.24 percent in households with annual net incomes between \$36,082 and \$41,235.

4. Computing Child Expenditures as a Proportion of Net Income

Once the previous steps have been completed, the computation of child expenditures as a proportion of net income is straightforward. That is, the costs of child care and unreimbursed medical expenses are subtracted from the Rothbarth estimates of child expenditures as a proportion of consumption, and the revised proportions are multiplied by the ratio of consumption to household net income. The resulting proportion relates child expenditures to net income.

5. Extending the Rothbarth Estimates to Larger Household Sizes

The CEX data do not allow estimates of child expenditures to be developed for households with more than three children because the number of households on which the estimates would be based is too small. In developing the proposed formula for this report, we use equivalency scales recommended by the Panel on Poverty and Family Assistance, a panel assembled by the National Research Council to review how poverty is measured and make recommendations for improving those measurements.²⁰ As part of this investigation, the Panel extensively reviewed equivalency scales; that is, formulas that adjust the costs of living

²⁰Constance F. Citro and Robert T. Michael, Editors. *Measuring Poverty: A New Approach*, National Academy Press, Washington, D.C. (1995).

relative to family size. In turn, the Panel recommended a formula, which we use for the purposes of extending the Rothbarth estimates to households with four children or more.

6. Computing Marginal Proportions Between Income Ranges

The above steps result in a table that relates levels of net income to the proportion of income spent on children in one to six-child households. One further adjustment, however, is needed before the table can be used to prepare a net-income based schedule that will result in gradual increases in order amounts as income increases rather than precipitous changes resulting from moving from one income range to the next income range. In other words, there is some smoothing similar to what is done in tax schedules. This is done by developing marginal proportions between the midpoints of the income ranges.

An example will illustrate why this method of smoothing the support Schedule is needed. Assume we have two, two-child households, one earning between \$46,390 and \$51,544 per year and the other earning between \$51,545 and \$61,852 per year. The proportion of net income spent on the two children in the lower income household is estimated to be 31.54 percent. The comparable proportion in the higher income household is estimated to be 30.80 percent. If actual income in the first household were \$51,500, the total support obligation would be \$16,243 annually ($\$51,500 \times .3154$). If actual income in the second household were \$51,600, the total annual support obligation would be \$15,893 ($\$51,600 \times .3080$); \$350 less per year than the support obligation in the lower income household. The use of marginal proportions between the midpoints of income ranges eliminates this effect and creates a smooth increase in the total support obligation as household income increases.

Summary

After this last adjustment, the table of support proportions, shown below in Exhibit 6, can be prepared. (Exhibit 6 is derived from Exhibit 3.) This table of support proportions is analogous to a tax rate schedule. Each net income midpoint in the table is associated with two proportions for each number of children being supported. The first proportion is applied to the income midpoint and the proportion just below it is applied to income between that midpoint and the next highest midpoint. An example best illustrates how this procedure results in a basic support obligation if the net income and the number of children are known.

Exhibit 6

TABLE OF SUPPORT PROPORTIONS				
Annual Income	One Child	Two Children	Three Children	Four Children
\$7,732	25.90%	36.78%	42.88%	47.82%
	25.62%	35.92%	41.45%	46.21%
\$18,041	25.74%	36.29%	42.06%	46.90%
	23.19%	31.50%	35.81%	39.93%
\$23,195	25.17%	35.22%	40.67%	45.35%
	22.23%	29.66%	33.21%	37.03%
\$28,350	24.64%	34.21%	39.32%	43.84%
	23.75%	32.71%	37.17%	41.45%
\$33,504	24.50%	33.98%	38.99%	43.47%
	20.10%	27.05%	29.79%	33.22%
\$38,659	23.91%	33.06%	37.76%	42.10%
	20.26%	24.53%	24.41%	27.22%
\$43,813	23.48%	32.05%	36.19%	40.35%
	21.19%	27.13%	29.36%	32.74%
\$48,968	23.24%	31.54%	35.47%	39.55%
	20.61%	26.18%	28.65%	31.94%
\$56,699	22.88%	30.80%	34.54%	38.51%
	22.07%	28.49%	30.75%	34.29%
\$67,008	22.76%	30.45%	33.96%	37.86%
	20.08%	26.87%	29.56%	32.95%
\$77,317	22.40%	29.97%	33.37%	37.21%
	21.35%	27.50%	29.37%	32.75%
\$92,781	22.23%	29.56%	32.71%	36.47%
	20.89%	27.46%	30.20%	33.68%
\$115,976	21.96%	29.14%	32.20%	35.91%
	19.36%	23.87%	24.76%	27.61%
\$157,337	21.27%	27.76%	30.25%	33.73%
	20.25%	25.14%	26.11%	28.85%

Assume that the noncustodial parent has annual net income of \$18,000 and the custodial parent has \$12,000. The computation of an annual child support obligation for two children using the information in Exhibit 6 involves the following basic steps.

Step 1: Add the monthly net incomes of both parents ($\$18,000 + \$12,000 = \$30,000$).

Step 2: Find the income midpoint just below the combined net income (i.e., \$28,350 per month) and multiply the amount by the proportional support for two children: $[\$28,350 \times .3421] = \$9,699$.

Step 3: Subtract the midpoint from the combined net income of the parents and multiply by the marginal proportion: $[(\$30,000 - \$28,350) \times .3271] = \540 .

Step 4: Add the two obligation amounts: $\$9,699 + \$540 = \$10,239$. This obligation represents the monthly amount estimated to have been spent on the children jointly by the parents if the household had remained intact.

A net-income schedule, based on the steps thus far, is provided in Appendix II.

Converting Net-Income Amounts to Gross-Income Amounts

The final step is to convert the net-income schedule developed above into a gross-income schedule. This is accomplished through backing out federal and District personal income taxes and FICA. Since the child-rearing measurements are from intact families, we also assume the tax rates that would be incurred by an intact family. Specifically, the tax filing status is married and there are two exemptions (one for each parent) plus an additional exemption for each child for whom support is being determined. Federal tax rate formulas are based on tax formulas for employer withholding effective May 2003 and published in IRS Publication 15-T. The District personal income tax rates are based on the District of Columbia Tax Withholding Instructions effective January 2001 (there were no revisions in 2002 or 2003). A gross-to-net income conversion chart when there is one child is provided in Appendix II, along with gross-income based schedules.

The Schedule, which is shown in Exhibit 7, represents basic child support obligations for one to four children and a range of combined gross incomes. Again, the Schedule is based on the combined income of the parents because it reflects what is typically spent on a child when the financial resources of the parents are combined.

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
11,400	3042	4325	5053	5666
12,000	3176	4514	5271	5908
12,600	3310	4702	5488	6151
13,200	3444	4890	5705	6393
13,800	3577	5076	5919	6632
14,400	3695	5244	6113	6847
15,000	3810	5411	6306	7063
15,600	3926	5578	6500	7279
16,200	4042	5740	6693	7494
16,800	4157	5902	6886	7710
17,400	4270	6064	7074	7926
18,000	4371	6226	7261	8141
18,600	4471	6389	7448	8352
19,200	4571	6550	7629	8547
19,800	4669	6692	7791	8728
20,400	4760	6835	7952	8908
21,000	4851	6958	8114	9088
21,600	4941	7081	8276	9269
22,200	5032	7205	8438	9449
22,800	5123	7328	8599	9629
23,400	5214	7451	8761	9809
24,000	5305	7575	8905	9990
24,600	5395	7698	9045	10170
25,200	5486	7821	9185	10350
25,800	5577	7945	9326	10530
26,400	5668	8068	9463	10697
27,000	5759	8190	9593	10850
27,600	5849	8306	9724	10995
28,200	5936	8423	9854	11140
28,800	6023	8539	9984	11285
29,400	6110	8655	10114	11430
30,000	6205	8782	10256	11588
30,600	6305	8915	10405	11754
31,200	6405	9048	10554	11921
31,800	6503	9181	10703	12087
32,400	6596	9315	10852	12253
33,000	6689	9448	11001	12419
33,600	6782	9581	11151	12605
34,200	6875	9716	11318	12791

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
34,800	6966	9861	11485	12977
35,400	7061	9998	11652	13163
36,000	7158	10132	11819	13349
36,600	7255	10266	11986	13535
37,200	7352	10399	12151	13721
37,800	7449	10533	12313	13908
38,400	7546	10666	12465	14092
39,000	7643	10800	12617	14274
39,600	7740	10933	12769	14456
40,200	7837	11067	12921	14623
40,800	7934	11201	13070	14769
41,400	8031	11334	13192	14906
42,000	8128	11453	13314	15041
42,600	8222	11564	13435	15177
43,200	8304	11674	13557	15313
43,800	8387	11785	13679	15448
44,400	8469	11895	13800	15584
45,000	8551	12006	13922	15720
45,600	8633	12116	14043	15855
46,200	8715	12227	14165	15991
46,800	8797	12337	14287	16126
47,400	8879	12448	14408	16262
48,000	8961	12558	14530	16376
48,600	9043	12668	14642	16487
49,200	9125	12779	14742	16598
49,800	9207	12879	14841	16709
50,400	9290	12979	14941	16820
51,000	9372	13079	15041	16932
51,600	9455	13180	15140	17043
52,200	9538	13280	15240	17154
52,800	9621	13380	15340	17265
53,400	9703	13480	15439	17376
54,000	9786	13580	15539	17487
54,600	9869	13680	15639	17598
55,200	9952	13780	15738	17716
55,800	10034	13881	15838	17849
56,400	10117	13981	15954	17983
57,000	10200	14085	16074	18117
57,600	10283	14195	16194	18250

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
58,200	10369	14306	16314	18384
58,800	10455	14417	16434	18518
59,400	10542	14528	16554	18651
60,000	10628	14638	16674	18785
60,600	10715	14749	16793	18919
61,200	10801	14860	16913	19052
61,800	10888	14971	17033	19186
62,400	10974	15081	17153	19320
63,000	11061	15192	17273	19451
63,600	11147	15303	17392	19582
64,200	11234	15414	17509	19712
64,800	11320	15522	17626	19843
65,400	11406	15628	17743	19973
66,000	11490	15735	17860	20103
66,600	11575	15842	17977	20234
67,200	11659	15949	18094	20364
67,800	11743	16056	18211	20495
68,400	11827	16163	18328	20625
69,000	11911	16270	18445	20755
69,600	11995	16377	18562	20886
70,200	12080	16483	18679	21016
70,800	12164	16590	18796	21147
71,400	12248	16697	18913	21277
72,000	12332	16804	19030	21408
72,600	12416	16911	19147	21538
73,200	12500	17018	19264	21668
73,800	12585	17125	19381	21799
74,400	12662	17232	19498	21936
75,000	12733	17338	19617	22076
75,600	12805	17445	19743	22216
76,200	12877	17560	19868	22356
76,800	12949	17676	19994	22496
77,400	13024	17785	20119	22636
78,000	13101	17885	20245	22776
78,600	13178	17984	20370	22916
79,200	13254	18083	20496	23056
79,800	13331	18182	20622	23196
80,400	13408	18282	20743	23336
81,000	13485	18381	20850	23476

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
81,600	13562	18480	20957	23616
82,200	13639	18579	21064	23756
82,800	13715	18678	21171	23896
83,400	13792	18778	21278	24035
84,000	13869	18877	21385	24154
84,600	13946	18976	21492	24273
85,200	14023	19075	21599	24393
85,800	14100	19174	21707	24512
86,400	14177	19274	21814	24632
87,000	14253	19373	21921	24751
87,600	14338	19483	22039	24883
88,200	14424	19593	22158	25015
88,800	14509	19702	22276	25148
89,400	14594	19812	22395	25280
90,000	14679	19922	22514	25410
90,600	14764	20032	22632	25537
91,200	14849	20142	22751	25665
91,800	14934	20251	22865	25792
92,400	15019	20361	22979	25919
93,000	15104	20467	23093	26046
93,600	15189	20571	23207	26173
94,200	15272	20674	23320	26300
94,800	15349	20778	23434	26427
95,400	15427	20881	23548	26554
96,000	15504	20985	23662	26681
96,600	15582	21089	23776	26808
97,200	15659	21192	23890	26935
97,800	15736	21296	24004	27062
98,400	15814	21399	24118	27189
99,000	15891	21503	24232	27316
99,600	15969	21606	24346	27443
100,200	16046	21710	24460	27570
100,800	16123	21814	24574	27697
101,400	16201	21917	24688	27824
102,000	16278	22021	24802	27951
102,600	16356	22124	24916	28078
103,200	16433	22228	25030	28205
103,800	16510	22331	25143	28332
104,400	16588	22435	25257	28459

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
105,000	16665	22539	25371	28586
105,600	16743	22642	25485	28713
106,200	16820	22746	25599	28840
106,800	16897	22849	25713	28966
107,400	16975	22953	25827	29093
108,000	17052	23056	25940	29219
108,600	17130	23160	26053	29345
109,200	17207	23266	26167	29471
109,800	17284	23372	26280	29598
110,400	17364	23478	26393	29724
111,000	17447	23584	26506	29850
111,600	17529	23690	26620	29976
112,200	17611	23796	26733	30103
112,800	17694	23902	26846	30229
113,400	17776	24008	26959	30355
114,000	17858	24114	27073	30481
114,600	17940	24220	27186	30608
115,200	18023	24326	27299	30734
115,800	18105	24432	27412	30860
116,400	18187	24538	27525	30986
117,000	18270	24644	27639	31113
117,600	18352	24750	27752	31239
118,200	18434	24856	27865	31365
118,800	18517	24962	27978	31491
119,400	18599	25068	28092	31618
120,000	18681	25174	28205	31744
120,600	18763	25280	28318	31870
121,200	18846	25386	28431	31997
121,800	18928	25492	28545	32123
122,400	19010	25598	28658	32249
123,000	19093	25704	28771	32375
123,600	19175	25810	28884	32502
124,200	19257	25916	28998	32628
124,800	19339	26022	29111	32754
125,400	19422	26128	29224	32880
126,000	19504	26234	29337	33007
126,600	19586	26340	29450	33133
127,200	19669	26447	29564	33259
127,800	19748	26553	29677	33385

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
128,400	19827	26659	29790	33512
129,000	19905	26765	29903	33638
129,600	19983	26871	30017	33764
130,200	20062	26977	30130	33892
130,800	20140	27080	30243	34022
131,400	20219	27181	30357	34152
132,000	20297	27282	30473	34281
132,600	20376	27383	30590	34411
133,200	20454	27484	30706	34541
133,800	20533	27585	30820	34671
134,400	20611	27686	30931	34801
135,000	20688	27787	31042	34931
135,600	20765	27888	31153	35060
136,200	20842	27989	31264	35190
136,800	20918	28090	31375	35319
137,400	20995	28191	31486	35442
138,000	21072	28292	31597	35566
138,600	21149	28392	31708	35690
139,200	21225	28493	31819	35814
139,800	21302	28594	31930	35937
140,400	21379	28695	32041	36061
141,000	21456	28796	32152	36185
141,600	21532	28897	32263	36309
142,200	21609	28998	32374	36432
142,800	21686	29099	32485	36556
143,400	21763	29200	32596	36680
144,000	21839	29301	32707	36804
144,600	21916	29402	32818	36928
145,200	21993	29503	32929	37051
145,800	22070	29604	33040	37175
146,400	22147	29705	33151	37299
147,000	22223	29805	33262	37423
147,600	22300	29906	33373	37546
148,200	22377	30007	33484	37670
148,800	22454	30108	33595	37794
149,400	22530	30209	33706	37918
150,000	22607	30310	33817	38041
150,600	22684	30411	33928	38165
151,200	22761	30512	34039	38289

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
151,800	22837	30613	34150	38413
152,400	22914	30714	34261	38536
153,000	22991	30815	34372	38660
153,600	23068	30916	34483	38784
154,200	23144	31017	34594	38908
154,800	23221	31118	34705	39031
155,400	23298	31219	34816	39155
156,000	23375	31319	34927	39279
156,600	23452	31420	35038	39403
157,200	23528	31521	35149	39527
157,800	23605	31622	35260	39650
158,400	23682	31723	35371	39774
159,000	23759	31824	35482	39898
159,600	23835	31925	35593	40022
160,200	23912	32026	35704	40145
160,800	23989	32127	35815	40269
161,400	24066	32228	35926	40393
162,000	24142	32329	36037	40517
162,600	24219	32430	36148	40640
163,200	24296	32531	36259	40764
163,800	24373	32632	36370	40888
164,400	24449	32732	36481	41012
165,000	24526	32833	36592	41135
165,600	24603	32934	36703	41259
166,200	24680	33035	36814	41383
166,800	24757	33136	36925	41507
167,400	24833	33237	37036	41630
168,000	24910	33338	37147	41735
168,600	24987	33439	37258	41836
169,200	25064	33540	37366	41937
169,800	25140	33641	37457	42039
170,400	25217	33742	37548	42140
171,000	25294	33837	37639	42242
171,600	25371	33924	37730	42343
172,200	25447	34012	37821	42445
172,800	25520	34100	37912	42546
173,400	25591	34187	38003	42648
174,000	25662	34275	38094	42749
174,600	25733	34363	38184	42850

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
175,200	25804	34451	38275	42952
175,800	25876	34538	38366	43053
176,400	25947	34626	38457	43155
177,000	26018	34714	38548	43256
177,600	26089	34802	38639	43358
178,200	26160	34889	38730	43459
178,800	26231	34977	38821	43561
179,400	26302	35065	38912	43662
180,000	26374	35152	39003	43764
180,600	26445	35240	39094	43865
181,200	26516	35328	39185	43966
181,800	26587	35416	39276	44068
182,400	26658	35503	39367	44169
183,000	26729	35591	39458	44271
183,600	26801	35679	39549	44372
184,200	26872	35767	39640	44474
184,800	26943	35854	39731	44575
185,400	27014	35942	39822	44677
186,000	27085	36030	39913	44778
186,600	27156	36117	40004	44879
187,200	27227	36205	40095	44981
187,800	27299	36293	40186	45082
188,400	27370	36381	40277	45184
189,000	27441	36468	40368	45285
189,600	27512	36556	40459	45387
190,200	27583	36644	40550	45488
190,800	27654	36732	40641	45590
191,400	27725	36819	40732	45691
192,000	27797	36907	40823	45793
192,600	27868	36995	40914	45894
193,200	27939	37082	41005	45995
193,800	28010	37170	41096	46097
194,400	28081	37258	41187	46198
195,000	28151	37346	41278	46300
195,600	28216	37433	41369	46401
196,200	28282	37521	41460	46503
196,800	28347	37609	41551	46604
197,400	28412	37697	41642	46706
198,000	28478	37784	41733	46807

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
198,600	28543	37864	41824	46908
199,200	28608	37945	41915	47010
199,800	28674	38025	42006	47111
200,400	28739	38106	42097	47213
201,000	28804	38187	42188	47314
201,600	28870	38267	42272	47416
202,200	28935	38348	42356	47517
202,800	29000	38428	42439	47619
203,400	29066	38509	42523	47720
204,000	29131	38589	42606	47821
204,600	29196	38670	42690	47917
205,200	29262	38750	42773	48010
205,800	29327	38831	42857	48103
206,400	29392	38912	42941	48196
207,000	29458	38992	43024	48289
207,600	29523	39073	43108	48383
208,200	29588	39153	43191	48476
208,800	29654	39234	43275	48569
209,400	29719	39314	43358	48662
210,000	29784	39395	43442	48755
210,600	29850	39476	43525	48848
211,200	29915	39556	43609	48942
211,800	29980	39637	43693	49035
212,400	30046	39717	43776	49128
213,000	30111	39798	43860	49221
213,600	30176	39878	43943	49314
214,200	30242	39959	44027	49407
214,800	30307	40039	44110	49501
215,400	30372	40120	44194	49594
216,000	30438	40201	44277	49687
216,600	30503	40281	44361	49780
217,200	30568	40362	44445	49873
217,800	30634	40442	44528	49966
218,400	30699	40523	44612	50060
219,000	30764	40603	44695	50153
219,600	30830	40684	44779	50246
220,200	30895	40765	44862	50339
220,800	30960	40845	44946	50432
221,400	31026	40926	45029	50525

Exhibit 7 District of Columbia Proposed Schedule of Basic Child Support Obligations				
COMBINED ADJUSTED GROSS INCOME	ONE CHILD	TWO CHILDREN	THREE CHILDREN	FOUR or MORE CHILDREN
222,000	31091	41006	45113	50619
222,600	31156	41087	45197	50712
223,200	31222	41167	45280	50805
223,800	31287	41248	45364	50898
224,400	31352	41329	45447	50991
225,000	31418	41409	45531	51084
225,600	31483	41490	45614	51178
226,200	31548	41570	45698	51271
226,800	31614	41651	45782	51364
227,400	31679	41731	45865	51457
228,000	31744	41812	45949	51550
228,600	31810	41892	46032	51643
229,200	31875	41973	46116	51737
229,800	31941	42054	46199	51830
230,400	32006	42134	46283	51923
231,000	32071	42215	46366	52016
231,600	32137	42295	46450	52109
232,200	32202	42376	46534	52202
232,800	32267	42456	46617	52296
233,400	32333	42537	46701	52389
234,000	32398	42618	46784	52482
234,600	32463	42698	46868	52575
235,200	32529	42779	46951	52668
235,800	32594	42859	47035	52761
236,400	32659	42940	47118	52855
237,000	32725	43020	47202	52948
237,600	32790	43101	47286	53041
238,200	32855	43181	47369	53137
238,800	32921	43262	47453	53235
239,400	32986	43343	47536	53332
240,000	33051	43423	47621	53429

An example will help to illustrate the use of the new Schedule in Exhibit 7. Consider a case in which support is being determined for two children, the custodial parent earns \$20,000 gross per year, and the noncustodial parent earns \$28,000 gross per year.

Step 1: Combine the incomes of the parties ($\$20,000 + \$28,000 = \$48,000$ per year).

Step 2: Find the dollar amount of base support from the Schedule for two children (\$12,558).

Step 3: Calculate the noncustodial parent's share of base support. It is his or her share of combined income ($\$28,000 / \$48,000 = 58\%$)

Step 4: Multiply the base support from Step 2 (\$12,558) by the noncustodial parent's share of combined income in Step 3 (58%). This yields a child support order of \$7,284 per year.

The custodial parent is presumed to spend his or her proportionate share of the basic obligation directly on the child.

Updated Low-Income Adjustment

A low-income adjustment is designed to ensure that a noncustodial parent is able to meet his or her own subsistence needs, after the payment of child support. In all, 37 states have an adjustment for low-income obligors. The proposed adjustment involves a self support reserve test, based on 133 percent of the federal poverty guidelines, which is \$11,943 per year in 2003.

The poverty guidelines are updated annually by the Department of Health and Human Services. This allows for an annual update or cost-of-living like increase to the self support reserve. Using 133 percent of the poverty guideline is consistent with the Medical Child Support Working Group's recommendations to use 133 percent of the noncustodial parent's income when calculating whether the noncustodial parent has the ability to pay health insurance premiums.²¹ Further, it provides more than the poverty guideline amount, which is not intended for long-term subsistence, and believed to underestimate true poverty. The poverty guidelines are net figures, so the use of the 133 percent multiplier brings the self support reserve up to an amount that better corresponds with gross income calculations. Recall that gross income is used to calculate child support under the District Guideline.

The adjustment works by setting the support order at the lower of two calculations, yet maintains the rebuttable minimum order of \$50 per month. The first calculation is a standard Guideline calculation based on the proposed Schedule in Exhibit 7. The second calculation assumes that the noncustodial parent has the ability to pay the difference between his or her income and the self support reserve. For example, assume that a noncustodial parent's gross income is \$15,000 per year and that the custodial parent has no income. For one child, application of the proposed Guideline Schedule results in an annual obligation of \$3,810. The self support calculation ($\$15,000 - \$11,943$) results in an annual

²¹The Medical Child Support Working Group, *21 Million Children's Health: Our Shared Responsibility*, Report to the Secretary of the Department of Health and Human Services and the Secretary of the Department of Labor (June 2000).

obligation of \$3,057.²² Barring departure by the court, the order would be set at \$3,057 per year.

To effectively use the self support reserve test, it must be conducted as the last step in determining support in sole custody cases. If the self support reserve amount is deducted from the noncustodial parent's income at the beginning of the calculation, it will not consider the noncustodial parent's ability to pay nor will it consider the impact of add-ons for child care and the child's health care expenses, which are discussed later in this Chapter. The examples in Exhibits 8 and 9 illustrate that the self support reserve test is more effective as the last step (bottom) in calculating support. In both of these examples, the noncustodial parent's income is \$13,000 per year. Subtracting the proposed self support reserve (\$11,943 per year) from \$13,000 in income, leaves the noncustodial parent able to pay \$1,057 in child support (shown in line 1b in Exhibit 8 and line 10 in Exhibit 9). Yet, if the self support reserve is taken off the top, the noncustodial parent's support order would be \$346 per year. If it is considered as the last step in the calculation, as it is in Exhibit 9, the noncustodial parent's child support order would be set at \$1,057 per year, which matches his or her ability to pay.

²²If this results in an amount less than \$50 per month, the minimum support order of \$50 per month (\$600 per year) would apply.

Exhibit 8
Deducting the Self Support Reserve at the Top (Non-recommended Approach)

Basic Obligation		Noncustodial Parent	Custodial Parent	Combined
1	Gross Income	\$13,000	\$18,000	
1a	Other Child Support Paid	-\$0	-\$0	
1b	Self Support Reserve	-\$11,943		
2	Income Available for Child Support	\$1,057	\$18,000	\$19,057
3	Each Parent's Proportionate Share of Income Available for Child Support (Each Parent's Line 2 / Line 2 Combined)	6%	94%	100%
4	Child Support Amount from Guideline Schedule using Combined Income Line 2			\$4,571
5	Each Parent's Share of Basic Obligation (Each Parent's Line 2 x Line 4 Combined)	\$274	\$4,297	
Additional Costs paid by parents				
6a	Health Insurance Cost	\$0	\$0	
6b	Child Care Costs	\$0	\$1,500	
6c	Extraordinary Medical Costs	\$0	\$0	
6d	Other Extraordinary Costs	\$0	\$0	
6e	Total Additional Costs (Sum of 6a through 6d)	\$0	\$1,500	\$1,500
7	Each Parent's Share of Additional Costs (Each Parent's Line 3 x Line 6e Combined)	\$90	\$1,410	
8	Basic Obligation Plus Additional Costs (Line 5 + Line 7)	\$364		
9	Obligation Adjusted for Additional Costs Directly Paid (Line 8 - Line 6e)	\$364		

Exhibit 9
Conducting the Self Support Reserve Test at the Bottom (Recommended Approach)

Basic Obligation		Noncustodial Parent	Custodial Parent	Combined
1	Gross Income	\$13,000	\$18,000	
1a	Other Child Support Paid	-\$0	-\$0	
2	Income Available for Child Support	\$13,000	\$18,000	\$31,000
3	Each Parent's Proportionate Share of Income Available for Child Support (Each Parent's Line 2 / Line 2 Combined)	42%	58%	100%
4	Child Support Amount from Guideline Schedule using Combined Income Line 2			\$6,405
5	Each Parent's Share of Basic Obligation (Each Parent's Line 2 x Line 4 Combined)	\$2,690	\$3,715	
Additional Costs paid by parents				
6a	Health Insurance Cost	\$0	\$0	
6b	Child Care Costs	\$0	\$1,500	
6c	Extraordinary Medical Costs	\$0	\$0	
6d	Other Extraordinary Costs	\$0	\$0	
6e	Total Additional Costs (Sum of 6a through 6d)	\$0	\$1,500	\$1,500
7	Each Parent's Share of Additional Costs (Each Parent's Line 3 x Line 6e Combined)	\$630	\$870	
8	Basic Obligation Plus Additional Costs (Line 5 + Line 7)	\$3,320	\$4,585	
9	Obligation Adjusted for Additional Costs Directly Paid (Line 8 - Line 6e)	\$3,320		
Ability to Pay Calculation				
10	Self Support Reserve (133% of federal poverty guidelines)	\$11,943		
11	Noncustodial Parent's Income Available for support (Line 2 – Line 10)	\$1,057		
12	Support Order (Lesser of Line 9 or Line 11)	\$1,057		

Elimination of the Custodial Parent Disregard

There are at least three justifications for eliminating the custodial parent disregard. First, the recommended change to the treatment of child care costs (discussed below) will be more helpful to working custodial parents than the current disregard; particularly, since child care can be a substantial work-related expense. As evident in the next section, support orders will usually increase for custodial parents who incur child care costs even with the elimination of the disregard under the recommended formula. Secondly, academic research overwhelmingly finds that child support and the custodial parent's work efforts are actually complements.²³ This counters the intuition behind the current disregard that custodial parents need an extra incentive to work. Finally, another issue is that in many cases where the custodial parent has low income, the noncustodial parent also has low income.²⁴

Proposed Change to the Treatment of Child Care Expenses

As discussed earlier, the current treatment of work-related child care costs is to subtract them from the custodial parent's income prior to the calculation of support. There are two problems with this. First, the burden of child care costs falls on the custodial parent even when the noncustodial parent has an ability to pay a higher share. Secondly, it does not account for situations where the noncustodial parent may be paying for child care. Instead of subtracting child care costs, most states prorate them between the parents, as shown in Lines 8 and 9 of Exhibit 10.

Exhibit 10			
Example of Prorating Child Care Costs			
	Noncustodial Parent	Custodial Parent	Combined
1. Gross Annual Income	\$35,000	\$35,000	
a. Disregard		- \$16,500	
2. Gross Income Available for Child Support	\$35,000	\$18,500	\$53,500
3. Percentage from existing Formula based on Noncustodial Parent's Income and 1 Child	22%		
4. Unadjusted Child Support Order (NCP Line 2 * NCP Line 3)	\$7,700		
5. Each Parent's Proportion of Combined Income (Each Parent Line 2 / Combined Line 2)	65%	35%	
6. Offset Amount (CP Line 5 * NCP Line 4)	\$2,663		
7. Order Amount Before Child Care Costs (Existing Formula) (NCP Line 4 – Line 6)	\$5,037		
8. Each Parent's Share of \$1200 Child Care Costs (Each Parent Line 5 * \$1,200)	\$785	\$415	\$1,200
9. Final Order Amount (NCP Line 7 + NCP Line 8)	\$5,822		

Exhibit 11 illustrates the differences between the current method and prorating child care costs. It considers three different situations where the only factor that varies is the amount

²³For example, see Wei-Yin Hu, "Child Support, Welfare Dependency, and Women's Labor Supply", *The Journal of Human Resources*, Volume 34, Number 1 (Winter 1999); Irwin Garfinkel, Theresa Heintze, and Chien-Chung Huang, *The Effect of Child Support Enforcement on Women's Incomes*. Joint Center for Policy Research Policy Brief Vol. 3, No. 5, Northwestern University and University of Chicago, Chicago, Illinois (2000); John Graham, "Child Support and Mothers' Employment," *Contemporary Policy Issues*, (January 1990); and, John Graham and Andrea Beller, "The Effect of Child Support Payments on the Labor Supply of Female Family Heads: An Econometric Analysis," *Journal of Human Resources*, (Fall 1989).

²⁴Elaine Sorensen and Chava Zibman, *Poor Dads Who Don't Pay Child Support: Deadbeats or Disadvantaged?* (Washington, D.C.: Urban Institute, April 2001).

of child care costs. It is \$0, \$1,200 per year, or \$6,000 per year. In this example, the parents have equal incomes and there is one child. To make a fair comparison, the prorating of child care costs is calculated using the existing Guideline formula parameters. The only alteration is the treatment of child care costs.

When there are no child care costs, the support obligation would be \$5,037 per year. When child care costs increase to \$1,200 per year, the support obligation only increases to \$5,153 per year; that is, the noncustodial parent only pays \$116 per year or 10 percent of the child care costs under the current treatment of child care. Under the prorated method, the noncustodial parent's support obligation would increase to \$5,822 per year; that is, the noncustodial parent pays \$785 per year or 65 percent of the child care costs.²⁵

Exhibit 11 Alternative Treatment of Child Care Costs In Guideline Calculation (Case Scenario: NCP Gross Annual Income = \$35,000; CP Annual Gross Income = \$35,000; One Child)				
	Annual Order Amount		Noncustodial Parent's Share of Child Care Costs	
	<i>Current DC Method</i>	<i>Prorating of Child Care Costs</i>	<i>Current DC Method</i>	<i>Prorating of Child Care Costs</i>
<ul style="list-style-type: none"> Annual Child Care Costs = \$0 Annual Child Care Costs = \$1,200 Annual Child Care Costs = \$6,000 	5,037 5,153 5,674	5,037 5,822 8,963	0 10% 11%	0 65% 65%

Proposed Treatment of Health Insurance Premiums

The problems with the existing treatment of the child's health insurance premiums are similar to those of the existing treatment of child care. First, the treatment differs depending on whether the noncustodial or custodial parent is incurring the expense. If the noncustodial parent incurs the expense, it is a subtraction from the noncustodial parent's income. If the custodial parent incurs the expense, it is a departure factor. Secondly, since it is a subtraction from the noncustodial parent's income, it may result in an unequal burden similar to what is illustrated for child care expenses in Exhibit 11. A more equitable approach is to prorate it between the parents similar to what is being proposed for work-related child care costs. This is the approach used by most states.

²⁵This example is based on the current Guideline formula so includes a disregard. Since the parents have equal incomes in this case example, the noncustodial parent's share would actually be 50 percent if the disregard were eliminated.

Proposed Treatment of Extraordinary Medical Expenses

Extraordinary medical expenses are frequently separated from the basic obligation in state child support guidelines because they can be readily identified, are highly variable and represent non-discretionary expenditures on children. Many states set a dollar threshold at \$100 or \$250 dollars per year per child to define extraordinary medical expenses, then prorate the amount of extraordinary medical expenses between the parents. The threshold usually reflects the amount of unreimbursed medical expenses that were retained in the child-rearing costs to develop a state's child support tables. All unreimbursed medical expenses beyond that threshold are subtracted from the child-rearing costs that appear in the child support tables. The amount retained is considered ordinary medical expenses, such as non-prescription medications and co-pays for well visits to the doctor.

The percentage of income to be devoted to child support under the proposed Schedule includes \$250 per year per child for ordinary medical expenses. This amount approximates average out-of-pocket medical expenses for a child.²⁶ As a consequence, extraordinary medical expenses are those that exceed \$250 per child per year.

Child Support Cap

For reasons identified in Part I, the Commission requested that the technical consultant derive a percentage cap on the child support guideline amount that was in line with the Consumer Credit Protection Act (CCPA) income withholding limit. The CCPA limits the amount of a noncustodial parent's paycheck that can be withheld for child support to 50 to 65 percent of the noncustodial parent's disposable income. The precise threshold depends on whether the noncustodial parent has additional dependents to support and whether he or she has accrued arrears.

Since the CCPA limit applies to after-tax income and the Guideline is based on gross income, the 50-percent CCPA threshold was backed into a gross income amount using federal and District personal income tax rates and FICA taxes that would be paid by a single person with no additional dependents. That amount is 35 percent for the majority of income ranges identified from the case file review.

CHAPTER SUMMARY

The proposed new formula consists of a schedule of basic obligations and changes to account for low-income noncustodial parents, child care costs, and the child's unreimbursed health costs. There are many steps necessary to convert new measurements of child-rearing costs to a Schedule, which forms the core of the District of Columbia Guideline. The Schedule represents the base support both parents owe the child for a range of combined

²⁶M. McCormick, R. Weinick, A. Elixhauser, et al, "Annual Report on Access to and Utilization of Health Care for Children and Youth in the United States – 2000." *Ambulatory Pediatrics*, 1(1): January-February 2001. (Agency for Healthcare Research and Quality 01-R036).

income ranges. Each parent's share is determined through prorating the basic obligation between the parents. The noncustodial parent's share is deemed to be child support and is paid to the custodial parent. It is assumed that the custodial parent spends his or her share directly on the child.

The proposed formula changes also include an update to the low-income adjustment to reflect the current poverty guidelines for one person and a modification to the application of the low-income adjustment to preserve the integrity of the self support reserve.

Additional recommendations are to eliminate the custodial parent disregard and to prorate child care expenses, the child's health insurance premium, and extraordinary medical expenses between the parents. The prorating of child care costs is a more equitable approach than disregarding it from the custodial parent's income. It will yield higher order amounts to custodial parents who have work-related child care costs than the current method and more appropriately address significant work-related child care expenses. The child's health insurance premium and extraordinary medical expenses are also prorated because this is a more equitable approach. In all, these recommended updates and changes will result in a more equitable and appropriate treatment of child support and are more reflective of the evidence of child-rearing costs.

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